UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte GABRIEL N. ISSA

Appeal 2007-2370
Application 09/373,141
Technology Center 3600

Decided: August 30, 2007

Before LINDA E. HORNER, ANTON W. FETTING, and JOSEPH A. FISCHETTI, *Administrative Patent Judges.*

FETTING, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF CASE

GABRIEL N. ISSA (Appellant) seeks review under 35 U.S.C. § 134 of a final rejection of claims 1-63, the only claims pending in the application on appeal.

We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b) (2002).

We AFFIRM.

The Appellant invented a way for conducting an online auction of a monetary amount for a specified category of items. This involves receiving at least one bid having a discount rate for the specified category of items being auctioned from a plurality of sellers registered to participate in the auction. It also includes receiving a commitment to buy an undiscounted value amount within the specified category of items at a minimum discount rate from at least one buyer registered to participate in the auction. At least one successful seller of the value amount for the specified category of items is then declared, based on a bid from the successful seller or sellers having the greatest discount rate greater than or equal to the minimum discount rate and best meeting the buyers' individual conditions. (Specification 6:8-19).

An understanding of the invention can be derived from a reading of exemplary claim 1, which is reproduced below [bracketed matter and some paragraphing added].

> 1. A method for conducting an online auction of a monetary amount for a specified category of items,
>
> the method comprising:
>
> [1] receiving at a computer site
>
> [a] at least one bid
>
> [i] having a discount rate
>
> [ii] for the specified category of items being auctioned
>
> [b] from a plurality of sellers registered to participate in the auction;
>
> [2] receiving at the computer site
>
> [a] a commitment
>
> [i] to buy an undiscounted monetary amount
>
> [ii] of the item or within the specified category of items

[iii] at a minimum discount rate

[b] from at least one buyer registered to participate in the auction; and

[3] declaring at least one successful seller of the monetary amount

[a] for the specified category of items based on the bid

[b] from the successful seller or sellers

[c] having the greatest discount rate greater than or equal to the minimum discount rate and

[d] best meeting the buyer's individual conditions.

This appeal arises from the Examiner's Final Rejection, mailed August 19, 2005. The Appellant filed an Appeal Brief in support of the appeal on October 3, 2005. An Examiner's Answer to the Appeal Brief was mailed on October 31, 2005.

PRIOR ART

The Examiner relies upon the following prior art:

Shkedy US 6,260,024 B1 Jul. 10, 2001

eCommerce / Buying Service Counts On Strength in Numbers, The Washington Post, Long Island, N.Y, Mar 22, 1999. pg. C.07

Appellant's admitted prior art (Specification 1:12 – 2:17).

REJECTIONS

Claims 1-62 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Shkedy and the Appellant's admitted prior art.

Claim 63 stands rejected under 35 U.S.C. § 103(a) as unpatentable over Shkedy, eCommerce, and the Appellant's admitted prior art.

ISSUES

The issues pertinent to this appeal are

- Whether the Appellant has sustained its burden of showing that the Examiner erred in rejecting claims 1-62 under 35 U.S.C. § 103(a) as unpatentable over Shkedy and the Appellant's admitted prior art.
- Whether the Appellant has sustained its burden of showing that the Examiner erred in rejecting claim 63 under 35 U.S.C. § 103(a) as unpatentable over Shkedy, eCommerce, and the Appellant's admitted prior art.

The pertinent issues turn on whether Shkedy shows or suggests a bid for a category of items having a discount rate.

FACTS PERTINENT TO THE ISSUES

The following enumerated Findings of Fact (FF) are believed to be supported by a preponderance of the evidence.

Claim Construction

01. The disclosure provides no lexicographic definition for "discount" or "discount rate."

02. The phrase "discount rate" has an idiomatic meaning of (1) the interest deducted in advance in purchasing, selling, or lending a commercial paper; or (2) the interest rate charged by a central bank on loans to its member banks.[1]

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[1] American Heritage Dictionary of the English Language (4th ed. 2000).

03. The usual and ordinary meaning of "discount" as a noun is (1) a reduction from the full or standard amount of a price or debt; (2) the interest deducted prior to purchasing, selling, or lending a commercial paper; the discount rate; or (3) the act or an instance of discounting a bill of exchange, note, or other commercial paper.[1]

04. The disclosure provides no lexicographic definition for "negotiate".

05. The usual and ordinary meaning of "negotiate" is (1) to arrange or settle by discussion and mutual agreement; (2) to transfer title to or ownership of; (3) to sell or discount; (4) to succeed in going over or coping with; or (5) to succeed in accomplishing.[1]

06. Claim 1 recites three steps: [1]; [2]; and [3]. Step [3] cannot be performed until after steps [1] and [2] are completed, but the claim does not recite any other limitation regarding sequence of operation. Claim 1 also does not recite any limitation on the amount of time that transpires between these steps themselves, or between these steps and any other events.

07. Claim 1, step [2.ii.] recites that a single item may be the subject of the recited commitment.

Disclosure

08. The Appellant's disclosure describes a process in which sellers perform bidding as opposed to buyers as a reverse auction (Specification 1:12-13).

Shkedy

09. Shkedy is directed towards an intermediary between buyers and at least one seller. A buyer determines an item or service to be purchased, and enters a conditional purchase order. The buyer receives a maximum offer price from the intermediary which the buyer accepts or rejects. If the buyer accepts the maximum offer price, the buyers' conditional purchase order is combined into a pooled purchase order with other buyers. The pooled purchase order is then made available to sellers to bid on. Any sellers interested in the pooled purchase order will submit a bid responsive to the conditional pooled purchase order, including the maximum offer price. A seller will be selected whose bid is the best, e.g. lowest price. Payment can be provided by the intermediary to the seller having the lowest bid (Shkedy 3:39-57).

10. Shkedy's intermediary binds all buyers to the pool before the sale or bidding occurs (Shkedy 3:6-8).

11. Shkedy's intermediary binds the seller who meets the terms of the pooled purchase order to the seller's fulfillment of that order (Shkedy 3:9-11).

12. Shkedy allows for pooled purchase orders where multiple sellers may jointly bid to fulfill the purchase order (Shkedy 3:29-31).

13. Thus, Shkedy's buyer selects the category of goods or service to be purchased. Then the buyer selects the particular item or service in the category with a quantity along with any other required buyer specified conditions.

14. Shkedy's intermediary determines the initial maximum offer price that the buyer accepts or rejects (Shkedy 5:43-51).

15. In one embodiment of Shkedy, buyers could indicate a minimum discount off the maximum offer price provided by the central controller that a buyer would be willing to accept. The seller would then be notified of a maximum price he had to beat in order to bid (Shkedy 7:21-25).

16. In another embodiment of Shkedy, the intermediary could pre-negotiate a supply contract with a major supplier, prior to forming the buyer pool. The pre-negotiated seller contract terms would be automatically available to any individual who joins the pool. In this embodiment, the intermediary pre-negotiates a contract with a seller such as an office supply company in which the office supply company would beat any published competitors price and provide an additional 5% discount to the collective buyer pool on condition that the intermediary (i.e. collective buyer pool) exclusively purchase supplies from them for a whole year (Shkedy 7:26-40).

17. Shkedy's seller database maintains data on sellers. It contains data regarding the items the seller can deliver with fields such as item ID, current price, restrictions on sale and discount schedule for large quantities (Shkedy 10:11-20).

eCommerce

18. eCommerce describes an online buying service that pre-negotiates volume discounts (eCommerce 1:First ¶).

19. eCommerce describes the economic model of the online buying service as similar to that of eBay (eCommerce 2:Third ¶).

PRINCIPLES OF LAW

Claim Construction

During examination of a patent application, pending claims are given their broadest reasonable construction consistent with the specification. *In re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969); *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

Limitations appearing in the specification but not recited in the claim are not read into the claim. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1369 (Fed. Cir. 2003) (claims must be interpreted "in view of the specification" without importing limitations from the specification into the claims unnecessarily)

Although a patent applicant is entitled to be his or her own lexicographer of patent claim terms, in *ex parte* prosecution it must be within limits. *In re Corr*, 347 F.2d 578, 580 (CCPA 1965). The applicant must do so by placing such definitions in the Specification with sufficient clarity to provide a person of ordinary skill in the art with clear and precise notice of the meaning that is to be construed. *See also In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994) (although an inventor is free to define the specific terms used to describe the invention, this must be done with reasonable clarity, deliberateness, and precision; where an inventor chooses to give terms uncommon meanings, the inventor must set out any uncommon definition in some manner within the patent disclosure so as to give one of ordinary skill in the art notice of the change).

Obviousness

A claimed invention is unpatentable if the differences between it and the prior art are "such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35

U.S.C. § 103(a) (2000); *KSR Int'l v. Teleflex Inc.*, 127 S.Ct. 1727, 1734 (2007); *Graham v. John Deere Co.*, 383 U.S. 1, 13-14 (1966).

In *Graham*, the Court held that that the obviousness analysis is bottomed on several basic factual inquiries: "[(1)] the scope and content of the prior art are to be determined; [(2)] differences between the prior art and the claims at issue are to be ascertained; and [(3)] the level of ordinary skill in the pertinent art resolved." 383 U.S. at 17. *See also KSR*, 127 S.Ct. at 1734. "The combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results." *KSR*, at 1739.

"When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or in a different one. If a person of ordinary skill in the art can implement a predictable variation, § 103 likely bars its patentability." *Id.* at 1740.

"For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill." *Id.*

"Under the correct analysis, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed." *Id.* at 1742.

ANALYSIS

Claims 1-62 rejected under 35 U.S.C. § 103(a) as unpatentable over Shkedy and the Appellant's admitted prior art.

The Appellant argue these claims as a group.

Accordingly, we select claim 1 as representative of the group. 37 C.F.R. § 41.37(c)(1)(vii) (2006).

Before analyzing the rejection, we must construe the claim limitation of a discount rate. The disclosure provides no lexicographic definition of this claim limitation (FF 01). The phrase "discount rate" has an idiomatic meaning with respect to commercial paper or bank loans (FF 02), neither of which is pertinent to the claimed subject matter. Therefore we construe the phrase as a rate for a discount.

The usual and ordinary meaning of a discount is a reduction from the full or standard amount of a price (FF 03). Thus we construe a discount rate to be a rate or measure of a reduction from the full or standard amount of a price.

The Examiner found that Shkedy described all of the limitations of claim 1, except for referring to a transaction as an auction. To overcome this deficiency, the Examiner found that the Appellant's admitted prior art describes transactions such as those in Shkedy as an auction. The Examiner concluded that it would have been obvious to one of ordinary skill to have referred to Shkedy's transactions as auctions (Answer 3:Bottom ¶ - 7:Last full ¶).

The Appellant contends that Shkedy utilizes prices directed to forward purchase orders, whereas Appellant's invention utilizes undiscounted monetary amounts at minimum discount rates directed to categories of items. The Appellant also argues that the Examiner ignored the benefits of these differences (Br. 8:Second to bottom ¶).

While the Appellant is correct in stating that Shkedy is directed to forward purchase orders (FF 09), the Appellant fails to recognize that its arguments are not

commensurate with the scope of claim 1. Claim 1 [2.a.] recites a commitment to buy an undiscounted monetary amount of an item at a minimum discount rate.

Shkedy's buyer commits (FF 10) to a quantity of an item (FF 13) that has an undiscounted price listed in the seller's schedule (FF 17). Thus, Shkedy's buyer has a commitment to buy a quantity of items having an undiscounted price. This is a commitment to buy an undiscounted amount, *viz.* the product of quantity times undiscounted price, of that item. Shkedy's buyer has a discount set by the intermediary (FF 09), which the buyer may modify by indicating the buyer's own minimum discount (FF 15).

Since Shkedy describes this claim limitation, there are no differences, and therefore no benefits of differences, for the Examiner to consider.

The Appellant further argues that the contended differences enable the separation of the transaction from the process of selecting the exact variations or options of the item purchased, and provides examples from the Specification. From this, the Appellant further contends that Shkedy teaches away from the claimed invention (Br. 13:Second ¶).

We find that claim 1 recites no separation of the transaction from the process of selecting the exact variations or options of the item purchased (FF 04). Whether the Specification provides examples is moot. We do not import limitations from the specification into the claims. *See E-Pass Techs.*, 343 F.3d at 1369. Since there is no such claimed separation, whether Shkedy teaches away from such a separation is moot.

The Appellant further contends that the invention's use of an undiscounted monetary amount as opposed to exact price, and the invention's use of a category

of, as opposed to specific products or services provides advantages which the Appellant enumerates (Br. 13:Bottom ¶).

We find that Shkedy describes undiscounted monetary amounts in the form of item prices (FF 17) and describes selections of categories of items (FF 13). We also find that claim 1 recites selection of a specific item as an alternative to a category of items (FF 07). Thus any contended differences are moot.

The Appellant further argues that the separation of the buying transaction from the selection and redemption processes offers further advantages that the Appellant enumerates (Br. 14:First full ¶).

As we found, *supra*, claim 1 recites no separation of the transaction from the selection process. Similarly, claim 1 recites no separation of the transaction from the redemption process (FF 04). Any advantages from such a separation are therefore moot.

The Appellant then contends that Shkedy's seller bids a price, not a discount rate as claimed, and further contends that this difference causes Shkedy to teach away from the claimed invention (Br. 15:Top ¶).

We find that Shkedy's seller bid may include a discount rate (FF 16 & 17). Claim 1 [1.a.i.] recites that the seller's bid has a discount rate, not that the bid is specifically restricted to a discount rate. Thus, Shkedy does not teach away from a bid having a discount rate.

The Appellant then contends, in response to the Examiner's finding that it is inherent that the lowest price has the greatest discount rate, that the mathematical complexity of obtaining an effective discount rate does not bear on the issue of

obviousness. The Appellant further contends that Shkedy has no use for discount data (Br. 15:Bottom ¶).

We find that Shkedy explicitly describes the sellers providing discount rates (FF 16 & 17). We find that whether computing discount rates are mathematically complex is therefore moot.

The Appellant then contends, in response to the Examiner's finding one of ordinary skill would have known that Shkedy's title could as readily have been "REVERSE AUCTION," based on the Appellant's admitted prior art, that the title of a reference does not form the basis of an obviousness rejection.

We find that (1) the Appellant's disclosure admits that Shkedy's transaction could be characterized as a reverse auction (FF 08), and (2) the Examiner's only purpose in relying on Appellant's Admitted Prior Art was to show that Shkedy described an auction, which Shkedy does by virtue of its matching of bids and offers by buyers and sellers. The issue of whether a title of a reference may form the basis of an obviousness rejection is therefore moot.

The Appellant contends that claims 32-62 are separately patentable (Br. 16:Bottom ¶), but does not provide any arguments supporting their patentability separate from those made in support of claim 1. As such, we find that Shkedy discloses all of the elements of independent claim 32 for the same reasons provided *supra* for claim 1.

The Appellant has not sustained its burden of showing that the Examiner erred in rejecting claims 1-62 under 35 U.S.C. § 103(a) as unpatentable over Shkedy and the Appellant's admitted prior art.

Claim 63 rejected under 35 U.S.C. § 103(a) as unpatentable over Shkedy, eCommerce, and the Appellant's admitted prior art.

Claim 63 is as follows:

> A computer-implemented auction system for *negotiating* discount credits between sellers offering at least one pre-defined category of goods or service items and buyers wishing to purchase goods or service items selected from said category,
>
> comprising:
>
> an auction system having an auction engine that presents a first interface for access by buyers in communicating willingness to purchase items selected from a pre-defined category at a *negotiated* category discount and a second interface for access by sellers in communicating willingness to offer items selected from the pre-defined category;
>
> the first interface including a commitment amount field through which each buyer communicates the amount that buyer will commit to spend and a requested discount field through which each buyer communicates the smallest discount that buyer will accept;
>
> a data storage associated with the auction engine for storing the identity of buyers who have communicated willingness to purchase items from the pre-defined category, and for storing bid data indicative of the commitment amount and requested discount communicated by each buyer;
>
> the auction system further having a compilation system that analyzes the bid data to present information to sellers through the second interface indicative of the aggregate commitment amounts associated with different requested discounts;
>
> the second interface having a discount offer field through which each seller communicates the discount that seller is willing to offer;
>
> a commitment system having a mechanism for terminating *negotiation* in response to a pre-defined criterion and for identifying a selected seller that has offered the greatest discount during the *negotiation*;

> the commitment system communicating with the auction system to generate a discount record for at least a portion of the buyers identified in the data storage, each discount record including the identity of the buyer and seller, the pre-defined category on which the buyer *negotiated* and data indicative of the commitment amount and the discount offered by the selected seller. (Emphasis added.)

The Examiner found that claim 63 recited limitations similar to those in claims 1-62, which are described by the combination of Shkedy and the admitted prior art as applied to claims 1-62, and also recited the limitation of discount negotiation with multiple sellers, which the Examiner found described by eCommerce. The Examiner concluded that one of ordinary skill would have negotiated discount rates, as in eCommerce, in Shkedy as well to improve the achieved discount (Answer 23-25).

The Appellant contends that it does not claim "pre-negotiation" with multiple sellers in the sense suggested by Examiner (Br. 17:Second to bottom ¶). Instead the negotiated discount is the result of active bidding (Br. 18:Top ¶). The Appellant further contends that eCommerce does not describe soliciting bids from multiple sellers (Br. 18:Second ¶).

The Examiner responds that the company described in eCommerce could not realistically operate without negotiating with multiple sellers (Answer 29:Last full ¶).

We find that settling upon a discount by active bidding by which the system finds the seller offering the greatest discount is described by Shkedy as we found, *supra*. Thus, the issue is whether the combination of Shkedy and eCommerce suggests performing a negotiation with multiple sellers to achieve this. The Specification provides no special meaning of "negotiate," but the usual meaning is

to arrange or settle by discussion and mutual agreement. As the Examiner found, eCommerce explicitly describes negotiating for discounts (FF 18), and the business model described as similar to eBay (FF 19) implies that negotiation would be with multiple sellers to achieve a better price than negotiating with a single seller. Further, Shkedy describes discounts from multiple sellers (FF 12, 15, and 16).

The Appellant further contends that eCommerce does not describe analyzing the bids to present information to sellers indicating aggregate amounts (Br. 18:Bottom ¶).

The Examiner responds that such analysis is implied for there would be no other way for sellers to develop a discount rate. We agree with the Examiner and we also find that such analysis is implicit in Shkedy's presentation of its purchase order indicating aggregate amounts of the purchase order to sellers (FF 09).

The Appellant has not sustained its burden of showing that the Examiner erred in rejecting claim 63 under 35 U.S.C. § 103(a) as unpatentable over Shkedy, eCommerce, and the Appellant's admitted prior art.

CONCLUSIONS OF LAW

The Appellant has not sustained its burden of showing that the Examiner erred in rejecting claims 1-63 under 35 U.S.C. § 103(a) as unpatentable over the prior art.

On this record, the Appellant is not entitled to a patent containing claims 1-63.

DECISION

To summarize, our decision is as follows:

- The rejection of claims 1-62 under 35 U.S.C. § 103(a) as unpatentable over Shkedy and the Appellant's admitted prior art is sustained.
- The rejection of claim 63 under 35 U.S.C. § 103(a) as unpatentable over Shkedy, eCommerce, and the Appellant's admitted prior art is sustained.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

AFFIRMED

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